Attachment B
Cash Management Services
As of September 18, 2021

Background:

SouthWest Water Company ("SWWC") supports each of its operating utilities by providing an array of centralized cash management services as more fully described in this document. The purposes of this centralization are to promote efficient operations at each business, ensure each operating business has sufficient cash to fund operating and capital requirements, employ high quality practices and allow the utilities to benefit from certain economies of scale, which are passed on to customers of the utilities. Customers further benefit from this structure through reduced personnel and IT systems costs due to shared resources across SWWC's businesses.

This document serves as a confidential description of SWWC's cash management services and practices effective as of the date first written above. Changes to these practices may be made periodically to be consistent with changes in banking services, pricing, lender requirements, and/or in the interests of efficient practice while always meeting the operating and capital requirements of the operating utilities and maintaining highly accurate books and records for each utility.

Banking, Zero Balance Accounts, Accounting Entries

- SWWC manages the banking relationships for SWWC and all operating utilities.

- SWWC maintains accounts with leading banking institutions and utilizes a common corporate treasury service known as "zero balance accounts". With this service, a parent account is designated at the bank as the "master" account. Each utility account is designated at the bank as a "subsidiary" account. At the end of each banking day, the bank automatically initiates a final transaction to either: (a) provide funding to each subsidiary account where bank debits exceeded bank credits or (b) sweep excess cash to the master account where bank credits exceeded bank debits. SWWC's primary operating account generally serves as the "master" in this service arrangement.

- Overnight, the bank transmits an electronic cash management file known as a "BAI-2" file. This file contains an electronic listing of balances along with each and every banking transaction occurring in each account. SWWC's IT Department receives the file and uses SWWC's system tools to upload file contents into the SAP ERP system which records journal entries to the appropriate utility.

- Movements of cash occur generally only between SWWC and a subsidiary. As a general matter, cash is not moved between subsidiaries except for infrequent instances such as to correct mis-routed funds or to pay invoices for services.

- For cash receipts in the South Carolina Midlands area, SWWC has implemented a central cash collection point for e-lockbox services. This concept offers the benefit of streamlined accounting reconciliations and significant cost benefits for processing high volumes of customer payments.

Banking: Wire Transfer and ACH Payments

- SWWC's Treasury Department executes outbound wire transfer and ACH Payment transactions from a centralized disbursement account on behalf of each utility. These are relatively infrequent and usually relate to a major purchase or other high-value or urgent transaction. Following execution of such

payment, the corporate accounting department works with the utility accounting team to accurately record such payments.

Accounts Payable, Credit Card, Fuel Card

- SWWC supports each utility with a centralized disbursement point for vendor payments for all SWWC operating business units/utilities and corporate services. Properly approved invoices are entered and coded to the local utility. An exception to this practice exists for customer refunds, which each utility disburses from its own bank account. However, the actual printing of refund checks and mailing occurs from the corporate accounts payable team.

    o A single checking account offers strong cash control and streamlines the daily cash management processes for the entire company.

    o A central printing routine within SAP is programmed to print the entire check on safety paper, in a locked facility in the SWWC support services center. Accordingly, physical security is much improved by not having an inventory of pre-printed checks on hand.

    o This process also allows an operating utility with immediate capital expenditure needs to automatedly draw funds from the parent without having to arrange relatively small local loans. As the central paymaster for vendor payments, SWWC simply issues checks for vendor payments, which are then recorded to the intercompany ledger as an advance or repayment, depending on whether the account balance is a credit balance or a debit balance (see further discussion on this below).

- SWWC maintains a small, centralized credit card account for the entire company. Select individuals are entrusted with a company credit card that is paid centrally. Each purchaser's transactions are recorded to the ledger of each utility as part of the ordinary month-end closing process.

    o SWWC has also implemented a "virtual card" payment program. Vendors who wish to participate receive a secure electronic message containing a unique credit card account number. Once payment is approved, the vendor receives an authorization to process the payment for an approved invoice as a credit card transaction, in lieu of a check.

    o Bills are paid centrally at the beginning of the subsequent month in the ordinary course and payments made on behalf of the operating utilities are recorded to each utility ledger.

- SWWC maintains a centralized fuel card account for the entire company. A fuel credit card is generated for each company vehicle and utility operations staff are provided with a PIN, that enables them to make fuel purchases as needed. A consolidated fuel card invoice is paid centrally by the accounts payable department at the beginning of the next month in the ordinary course and local purchases are recorded to each utility ledger.

Payroll

- SWWC acts as central paymaster for all payroll disbursements company-wide. In addition to funding and disbursing payroll to employees, SWWC also coordinates and funds employee benefits at each payroll cycle, including 401k deposits, flexible spending account deposits, healthcare savings account deposits and other benefits programs in which an employee may choose to participate.

- Provides strong internal controls and standardization, including around proper federal, state and local compliance and reporting.

- SWWC utilizes SAP, along with certain other third party applications, for personnel time tracking and a third-party payroll company fordisbursements from a central SWWC bank account. SAP is used to record payroll and benefits expense at each operating utility

- ADP also provides central employment tax payor services.

- Provides economies of scale, efficiencies in processing and cost control which ultimately benefits utility customers.

Surety bonds

- SWWC maintains a centralized relationship with surety brokers and surety companies that periodically may issue a surety bond in support of local utility operations.

- South Carolina PSC currently is the beneficiary on several such surety bonds.

- SWWC provides credit support to these bonds which is a necessary inducement – in the alternative each utility may be required to provide cash collateral to the surety.

Banking: Online Bill Pay, Credit Card and ACH File Transmissions (customer payments)

- SWWC maintains a robust online platform for electronic bill presentment and payment. Using this website, a utility customer may view their bill, see usage history and initiate payments via either (a) credit card or (b) ACH payment.

  - For customers desiring to make payment via ACH, at the end of each day, SWWC's IT Department initiates a system process that creates a banking file in standard NACHA format which, when transmitted to the bank, will initiate customer payments for direct deposit into each utility's bank account, two days hence. Subsequent to the deposit, cash is applied in the ordinary course in the manner described above for zero balance accounts. For credit card payments, SWWC maintains a centralized service contract with a "merchant processor" under which the processor agrees to submit credit card transactions to VISA or MasterCard for transaction approval and payment for a fee. Merchant processor fees are largely based on volume and each operating utility benefits from the collective volume of all SWWC's operating units and is charged a very low transaction fee. All financial transactions are ultimately recorded to the credit or debit of each operating utility, uniquely identified on SWWC's ERP platform

Intercompany advances

- All movements of cash between SWWC and its subsidiaries or payments made by SWWC on behalf of an operating utility are promptly and automatically recorded as intercompany advances or repayments.

- This process is highly automated both on the cash side (see description of zero balance accounts and centralized accounts payable, above) and on the accounting side through the company's SAP intercompany accounting module.

- From time to time, intercompany balances from the operating utility perspective may be either credit balances (payable to the parent from the utility) or debit balances (payable from the parent to the utility) depending on strength of local cash flow, capital expenditure needs, working capital fluctuations, payroll cycles, and similar cash flow drivers. In the ordinary course of a utility's business cycle, these balances may from time to time "flip" from balances owed to balances receivable and back again, all processed in the automated fashion discussed herein.

- This procedure allows for the free flow of cash between parent and subsidiary to ensure that each operating utility has sufficient cash to fund operating and capital requirements.

- The procedure enables each utility to benefit from the investment grade credit rating of SouthWest Water Company and the low cost of funds therefrom.

   o SWWC is able to borrow at very favorable rates, terms and covenants that would not be available to small individual utilities that would have to borrow locally.

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